

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 DODE-00 SSO-00 NSCE-00 INRE-00
USIE-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07 NSAE-00
PA-01 SS-15 PRS-01 SP-02 TRSE-00 NSC-05 EB-07
OMB-01 AID-05 IGA-02 DOTE-00 (ISO) W
-----192125Z 092132 /41
O 041858Z MAY 77
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC IMMEDIATE 7265

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0629

E.O. 11652: GDS
TAGS: PFOR, MARR, IC, US, NATO
SUBJECT: US GOVERNMENT DECIDES AGAINST CONTRIBUTION TO CIVILIAN
AIR TERMINAL: PRIME MINISTER'S REACTION

REF: STATE 100885

1. SUMMARY. PRIME MINISTER HALLGRIMSSON EXPRESSED SHARP DISAPPOINTMENT TO ME MAY 4 ON BEING INFORMED OF USG RESPONSE TO HIS REQUEST FOR FINANCIAL ASSISTANCE IN CONSTRUCTION CIVILIAN AIR TERMINAL KEFLAVIK. STATED CONTEMPLATED US ASSISTANCE IN CONNECTION WITH CONSTRUCTION OF TERMINAL, RAMPS, TAXIWAYS AND ROADS AS WELL AS POSSIBLE USG CONTRIBUTION TO GEOTHERMAL HEATING SYSTEM AT BASE, TO WHICH I REFERRED, REPRESENTED NOTHING NEW. PRIME MINISTER ALSO EXPRESSED DISAPPOINTMENT USG ANSWER SAID NOTHING RE POSSIBLE USG ASSISTANCE IN LOCATING FINANCING UNDER FAVORABLE TERMS WHICH, HE DECLARED, USG IN 1974 HAD AGREED ENDEAVOR IDENTIFY. PRIME MINISTER SAID IT WOULD NOW BE NECESSARY TO REVIEW "POINT-BY-POINT" FINANCIAL RELATIONSHIP BETWEEN GOI AND KEFLAVIK BASE. HE CONCLUDED BY EXPRESSING HOPE USG DECISION DID NOT MEAN, AS WAS SOMETIMES SAID, THAT US IS MORE RESPONSIVE IN DEALING WITH LEFTIST
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GOVERNMENT THAN WITH ONE FRIENDLY TO ITS INTERESTS. END SUMMARY.

2. ACCOMPANIED BY DCM CHRISTENSEN, I CALLED ON PRIME MINISTER HALLGRIMSSON THIS AFTERNOON TO CONVEY TO HIM USG DECISION RE CIVILIAN AIR TERMINAL (REFTEL). PRIME MINISTER'S PRINCIPAL ADVISER ON MILITARY MATTERS,

BJORN BJARNASSON WAS ALSO PRESENT. I ASSURED PRIME MINISTER MATTER HAD BEEN THOROUGHLY EXPLORED IN WASHINGTON FROM EVERY CONCEIVABLE ANGLE, CITING AS EVIDENCE FACT THAT ONLY NOW WAS I IN POSITION TO CONVEY DEFINITIVE RESPONSE TO HIM. DECISION HAD RELUCTANTLY BEEN REACHED THAT USG CONTRIBUTION TO CONSTRUCTION OF NEW TERMINAL, APART FROM THOSE AREAS SUCH AS RAMPS, TAXIWAYS AND ROADS, WAS NOT POSSIBLE. I ALSO CITED POSSIBILITY US PARTICIPATION IN GEOTHERMAL PROJECT. I ASSURED PRIME MINISTER DECISION IN NO WAY DETRACTED FROM USG COMMITMENT TO IMPLEMENT FULLY TERMS OF 1974 MOU.

3. PRIME MINISTER IMMEDIATELY STATED USG DECISION WAS SHARP DISAPPOINTMENT. HE SAID HE WAS AWARE OF U.S. INTENTION TO FINANCE CONSTRUCTION OF TERMINAL RAMPS, TAXIWAYS AND ROADS AND POSSIBLY TO ASSIST IN FINANCING CONVERSION OF BASE HEATING TO GEOTHERMAL SYSTEM. THUS, MY ASSURANCES OF USG ATTITUDE TOWARD THESE PROJECTS REPRESENTED NOTHING NEW. HE DID NOT UNDERSTAND BASIS FOR DECISION, PARTICULARLY VIEW BROAD POLITICAL CONTEXT IN WHICH HE HAD PUT HIS REQUEST TO VICE PRESIDENT ON JANUARY 29.

4. I TOLD PRIME MINISTER THAT I WAS CERTAIN HIS REQUEST TO VICE PRESIDENT HAD RECEIVED MOST CAREFUL ATTENTION. WHILE I WAS NOT AWARE OF ALL OF THE FACTORS THAT WENT INTO DECISION, I COULD GUESS THAT ONE WAS RELATIVELY HIGH PER CAPITA INCOME ENJOYED BY ICELANDERS WHICH MIGHT

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WELL HAVE PRECLUDED EXTENSION ASSISTANCE FOR ESSENTIALLY CIVILIAN PROJECT. ALSO, DEPARTMENT OF DEFENSE WAS PROHIBITED BY LAW FROM FINANCING CIVILIAN PROJECT. I ALSO RECALLED THAT ASSISTANCE ENVISAGED BY MOU OF 1974, RELATING TO CONSTRUCTION OF TERMINAL COMPLEX, MADE SUCH ASSISTANCE SUBJECT TO "MILITARY REQUIREMENTS".

5. PRIME MINISTER THEN ASKED WHETHER I COULD TELL HIM WHAT USG HAD DONE TO IDENTIFY FINANCING FOR CONSTRUCTION OF TERMINAL AT LOW INTEREST RATES, STATING THAT DURING 1974 NEGOTIATIONS USG HAD EXPRESSED ITS WILLINGNESS TO TRY IDENTIFY SUCH FINANCING. I TOLD PRIME MINISTER THAT WE HAD CLEARLY ENDEAVORED TO IDENTIFY SUCH FINANCING WITHIN PARAMETERS HE HAD RAISED WITH VICE PRESIDENT, NAMELY USG ASSISTANCE, WITH RESULTS I HAD JUST EXPLAINED TO HIM.

6. PRIME MINISTER THEN SAID HE THOUGHT USG STILL HAD OBLIGATION TO HELP GOI FIND FINANCING ON FAVORABLE

TERMS FOR TERMINAL CONSTRUCTION AND HE EXPECTED HEAR
FURTHER FROM ME ON THIS. HE AND HIS PARTY WERE THE
ONLY UNQUALIFIED SUPPORTERS OF IDF PRESENCE IN ICELAND.
THEY REMAINED UNDER PRESSURE FROM OPPONENTS OF IDF
DETERMINED TO CLOSE BASE. IN SOME WAY HE WOULD HAVE
TO ACCOMMODATE TO THAT PRESSURE. FOR THIS REASON AND
IN VIEW RESPONSE I HAD PROVIDED TO HIM, HE
THOUGHT IT WOULD QTE NOW UNQTE BE NECESSARY TO REVIEW
ON A QTE POINT BY POINT BASIS UNQTE THE FINANCIAL
RELATIONSHIP OF THE BASE TO THE COUNTRY. OTHER
GOVERNMENTS RECEIVE RENT FOR FACILITIES THEY
PROVIDE TO THE UNITED STATES, E.G., SPAIN. ICELAND
DOES NOT. HE PERSONALLY OPPOSES PUTTING THE US-ICELAND
MILITARY RELATIONSHIP ON A RENTAL BASIS. NEVERTHELESS,
IN VIEW OF MY RESPONSE IT WOULD BE NECESSARY TO TAKE
A LOOK AT THE OVERALL FINANCIAL RELATIONSHIP OF THE
BASE TO ICELAND.
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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC IMMEDIATE 7266

C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0629

7. I SAID I HOPED ANY SUCH M ET WOULD KEEP IN MIND
THAT THE IDF PRESENCE SERVES ICELAND'S SECURITY INTERESTS AS
WELL AS THOSE OF THE UNITED STATES AND OF OUR NATO
PARTNERS. I ALSO CITED THE ANNUAL COST OF OPERATING THE
BASE AND THE CONTRIBUTIONS IT MAKES TO THE EMPLOY-
MENT OF ICELANDERS AND TO ICELAND'S FOREIGN EXCHANGE

EARNINGS. WITH THE THOUGHT THAT IT MIGHT SLOW HIM
DOWN I THEN SAID THERE WAS SOME POSSIBILITY THERE MIGHT
BE AN OPENING IN THE SECRETARY'S SCHEDULE IN JUNE WHICH
WOULD PERMIT AN EXCHANGE OF VIEWS ON MATTERS OF
MUTUAL INTEREST. PRIME MINISTER NODDED AND THEN SAID THIS
WOULD BE GOOD AS EVIDENCE OF OUR CONTINUING INTEREST
IN ICELAND. MEETNG ENDED WITH HIS COMMENT THAT U.S.
OFTEN APPEARS TO PAYMORE ATTENTION TO SEEKING MEANS
OF COOPERATION WITH ITS ENEMIES THAN WITH ITS FRIENDS.
HE CONTRASTED IN THIS CONTEXT THE ATTENTION SOME SAY US PAYS
TO LEFTIST GOVERNMENTS, INCLUDING "LEFTIST" GOVERNMENT IN
ICELAND IN 1974, WITH OUR REACTION TO REQUEST OF PRIME MINSTER'S
PRO-NATO GOVERNMENT FOR HELP. I ASSURED HIM WE FULLY
APPRECIATED THE SUPPORT HE AND HIS PARTY HAD ALWAYS
GIVEN TO ICELAND'S UNITED STATES AND NATO CONNECTION
AND THAT HIS VIEWS WOULD BE FULLY REPORTED TO
WASHINGTON.

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8. COMMENTS FOLLOW SEPTTEL.
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